

Exhibit II

Draft of MEMORANDUM FOR: [REDACTED] Secretary, 25X1A9a
IAC Ad Hoc Committee on Exchanges

FROM: [REDACTED] Chairman, 25X1A9a
EIC Subcommittee on Electric Power and Solid Fuels

SUBJECT: Possible Relative Advantage in Exchange Program

1. This evaluation is made with the stipulation that US interests will be fully protected in the development of intelligence and its exploitation as may concern:

- a. Areas to be visited.
- b. The selection of US delegates, their mission, and their exploitation.

2. As regards the possible relative advantage in the suggested exchange program in the case of coal mining, it is believed that there would be relatively little advantage either to the USSR or the US because of the wide difference of natural conditions, and the open literature now available on both sides. The 25X1X1 net gain, if any, would appear to favor the USSR which is struggling with problems of mechanization which the US has already solved. The offsetting [REDACTED] gain to the US would have to come in the area of fuel distribution and utilization where our present information is weakest. Information on costs and prices of various grades of coal and on the preparation of coal, disposal or use of the high ash content refuse from preparation plants, efficiency of handling and burning of the lower grades of brown coal, lignite and peat, and the relation of these facts to the location of other industry could be of substantial [REDACTED] value. 25X1X1
25X1X1

3. In the electric power field, properly exploited, there is a potential for a very substantial net gain to the US. [REDACTED] the area of consumption by region, industry, and systems; and in the financial accounting methods used in costing and rate fixing for various industries. In order to maximize the net [REDACTED] gain to the US, the following stipulations are suggested:

- a. The delegations be confined to electric power operating facilities, excluding electric manufacturing plants.
- b. The US delegation must not be restricted to visiting facilities in the western regions of USSR, but should be allowed to travel extensively in the eastern regions. If possible, the Soviet areas presently closed to foreigners be opened to the US delegation.
- c. An exchange of statistical data should be made before the exchange of delegations. This should include:

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(1) Transmission maps showing location of high voltage lines and power plants. The inclusion of transmission system flow diagrams would be highly desirable.

(2) Statistical data showing consumption of electric power by regions, industries, and systems.

(3) Economic data such as capital investment, fixed assets, net cost of production, etc.

Failure to achieve the stipulated conditions would reduce but not negate the potential net gain to the US.

4. In both the fuel and power areas there is a strong feeling that past selection of exchange mission personnel throws a relative advantage to the USSR. Selection of US representatives for prestige in private industry should, we feel, be tempered with well qualified technicians willing and able to devote more time to exploitation of the information gained by the mission.

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